

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
THE REPORT OF EXAMINATION OF
AGENTS MUTUAL INSURANCE COMPANY**

A.I.D. NO. 2019- 1

ADOPTION ORDER

Now on this day the matter of the Report of Examination ("Report") as of December 31, 2017, of Agents Mutual Insurance Company ("Company") of Pine Bluff, Arkansas, NAIC No. 18236, is taken under consideration by Allen Kerr, Insurance Commissioner for the State of Arkansas ("Commissioner"), as presented by Associate Counsel, Amanda Capps Rose, and the Finance Division of the Arkansas Insurance Department ("Department"). From the facts, matters and other things before him, the Commissioner finds as follows:

FINDINGS OF FACT

1. The Company is an Arkansas-domiciled insurer licensed to write property and casualty (excluding workers' compensation) insurance.
2. Pursuant to Ark. Code Ann. §§ 23-61-201, *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records, and assets of the Company as of December 31, 2017.
3. Said examination was commenced by the Department on March 12, 2018, and completed on October 5, 2018.
4. The verified Report of Examination was filed with the Department on November 30, 2018. It was then mailed to the Company via certified mail on December 3, 2018. The Company received the Report on December 7, 2018, according to the tracking service available through the United States Postal Service.

5. The Company did not submit biographical affidavits for all officers and directors within thirty (30) days of appointment or election.

6. The Company failed to follow the NAIC Annual Statement Instructions with regard to Schedule P of its Annual Statement.

7. The Company's advanced premiums are being reported within the unearned premium reserve balance.

8. The Limited General Agency Agreement was not disclosed in Note 10 of the Notes to Financial Statements.

9. The Company did not notify the Arkansas State Auditor of all unclaimed property within the required time.

10. The Company failed to provide notice to the Commissioner of a producer's termination within thirty (30) days and did not mail a notification of termination for cause to producers at a last known address.

11. The Company failed to appoint each producer acting as an agent for the Company.

12. The Company paid commissions to an individual not licensed to sell or solicit insurance business in Arkansas.

13. On December 21, 2018, the Company submitted correspondence acknowledging receipt of the Report.

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact, the Commissioner makes the following Conclusions of Law:

1. The Commissioner and the Department have jurisdiction over the parties and the subject matter contained herein.

2. This Adoption Order has been properly entered in accordance with the Arkansas Insurance Code and Department Rules.

3. The Company's failure to provide the Department with biographical affidavits for all officers and directors within thirty (30) days of their election or appointment is a violation of Department Rule 7. The Company has subsequently provided the appropriate biographical affidavit.

4. The Company did not follow the NAIC Annual Statement Instructions with regard to Schedule P of its Annual Statement, which is in violation of Ark. Code Ann. § 23-63-216(a)(3).

5. The Company's reporting of advanced premiums within the unearned premium reserve balance is not in accordance with SSAP No. 53, paragraph 15.

6. The Company's failure to disclose the Limited General Agency Agreement in Note 10 of the Notes to Financial Statements is not in accordance with SSAP No. 25, paragraph 19.

7. The Company is in violation of Ark. Code Ann. §§ 18-28-201, *et seq.*, regarding the reporting of unclaimed property.

8. The Company's failure to provide notice to the Commissioner of a producer's termination within thirty (30) days and its failure to mail a notification of termination for cause to the affected producer are violations of Ark. Code Ann. § 23-64-515. Further, the Company failed to appoint each producer acting as its agent in violation of Ark. Code Ann. § 23-64-514.

9. The Company paid commissions to a person not licensed as a producer in violation of Ark. Code Ann. § 23-64-513(a).

10. Pursuant to Ark. Code Ann. § 23-63-213(c)(1), the Commissioner may impose a penalty of five thousand dollars (\$5,000) in lieu of suspending the Company's certificate of authority for failure to comply with applicable provisions of the Arkansas Insurance Code.

THEREFORE, pursuant to the provisions of Ark. Code Ann. § 23-61-205 and other provisions of the Arkansas Insurance Code, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, is hereby adopted;

2. That the Department shall forward a copy of this Adoption Order and the adopted Examination Report, as filed, to the Company via certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Board of Directors to use in acknowledgement of receipt of the adopted Report of Examination and this Adoption Order;

3. That within twenty (20) days of receipt of this Adoption Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its directors, stating under oath or affirmation that each has received a copy of this Adoption Order and the adopted Examination Report;

4. That the adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Adoption Order;

5. That the Company shall submit biographical affidavits for all officers and directors within thirty (30) days of election or appointment as required by Department Rule 7;

6. That the Company shall follow the NAIC Annual Statement Instructions in accordance with Ark. Code Ann. § 23-63-216(a)(3);

7. That the Company shall follow SSAP guidelines for the reporting of advanced premiums and disclosure of agency agreements;

8. That the Company shall comply with the requirements of Ark. Code Ann. §§ 18-28-201, *et seq.*, regarding the reporting of unclaimed property;


9. That the Company shall provide notice of a producer's termination to the Commissioner within thirty (30) days and provide notification to any producer terminated for cause as required by Ark. Code Ann. § 23-64-515;

10. That the Company shall appoint any producer acting as its agent as prescribed by Ark. Code Ann. § 23-64-514;

11. That the Company shall not pay commissions to any person not licensed as a producer as required by Ark. Code Ann. § 23-64-513(a); and

12. That the Company shall pay a penalty of five thousand dollars (\$5,000) to the Department for its practice of violating the Arkansas Insurance Code concerning producer appointments, termination of appointments and payment of commissions.

IT IS SO ORDERED this 4th day of January, 2019.


ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS